

Message Text

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15

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-11 LAB-06

NSAE-00 RSC-01 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-07 PA-04 PRS-01 SP-03 SS-20 USIA-15 SCCT-02

TRSE-00 AID-20 DRC-01 /132 W
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P R 250916Z SEP 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 6121

INFO AMEMBASSY TOKYO

CINCPAC

C O N F I D E N T I A L SEOUL 6383

CINCPAC FOR AMBASSADOR SNEIDER

EO 11652: GDS

TAGS: ELAB, ECON, KS

SUBJ: FAIRCHILD FACES LAY-OFF

1. FAIRCHILD MANAGEMENT HAS INFORMED EMBASSY THAT
WITHIN NEXT TEN DAYS IT WILL BE FORCED TO LAY-OFF
APPROXIMATELY 1,800 WORKERS INCLUDING ABOUT 600
SKILLED MECHANICS AND OFFICE PERSONNEL ON SALARIES.
THIS REDUCTION IS COMING ON TOP OF EARLIER REDUCTION
OF 700 EMPLOYEES NEGOTIATED WITH OFFICE OF LABOR AFFAIRS
(OLA) AND UNIONS END OF AUGUST.

2. FAIRCHILD WILL RETAIN OVER 4,000 EMPLOYEES AND MAINTAIN
EMPLOYMENT AT LEVEL ABOVE 1973. ALTHOUGH MOST OF
THOSE AFFECTED WILL HAVE LESS THAN ONE YEAR
COMPANY EMPLOYMENT, THIS SECOND REDUCTION IS ILL
UNDERSTOOD NOT ONLY BY UNION, BUT ALSO BY ROKG.
OLA FEARS THAT REASONABLE SOLUTION WILL BE MORE
DIFFICULT TO ATTAIN IN LIGHT OF FIRST MAJOR OUTBREAK
OF LABOR VIOLENCE IN ULSAN.

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3. UNION LEADERS HAVE INDICATED TO ECONOMIC PLANNING BOARD, NATIONAL ASSEMBLY LEADERS, AND OLA THEIR DETERMINATION TO FIGHT FAIRCHILD MASS LAY-OFF EVEN IN DEFIANCE OF EMERGENCY LAW PROHIBITING LABOR PROTESTS. ACCORDING TO MANAGEMENT, MECHANICS FACING LAY-OFF HAVE THREATENED POSSIBILITY OF SABOTAGING ESSENTIAL EQUIPMENT IF COMPANY CARRIES THROUGH.

4. OLA TOLD FAIRCHILD MANAGER HENRY MAHLER THAT IT UNDERSTOOD COMPANY DIFFICULTIES, BUT WAS CONCERNED OVER PROBLEM OF KEEPING WORKERS CALM IN PRESENT SITUATION. WHILE OLA WILLING TO HELP NEGOTIATE VARIOUS FORMS OF REDUCING WAGES AND HOURS WORKED TO REDUCE PAYROLL COSTS, IT WARNED AGAINST MASS LAY-OFF. HOWEVER, MANAGEMENT, WHILE ALSO SEEKING TO AVOID CONFLICT, FEELS THAT SIGNIFICANT REDUCTION OF EMPLOYMENT IS UNAVOIDABLE, SINCE ITS OVERSEAS ORDERS ARE DOWN BY ONE-THIRD.

5. COMMENT: UNION HAS ALSO THREATENED VIOLENCE DURING AUGUST REDUCTION, BUT KEPT WORKERS CALM EXCEPT FOR BRIEF SIEGE OF MANAGER'S OFFICE. HOWEVER, PROJECTED LAY-OFF COMES AT TIME OF GROWING UNEMPLOYMENT AND IS MORE LIKELY TO PRECIPITATE SERIOUS LABOR REACTION TO ANY SUCH FAIRCHILD ACTION.
ERICSON

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